



MALAYSIA EQUITY RESEARCH | OCTOBER 20, 2014

<p><b>Week Ended October 17, 2014</b></p>	Foreign Flow Meter	
	 Tide	HIGH (from LOW)
	 Current	(Maintain) STRONG

- Wall Street may have staged a spectacular rebound on Friday but the fact remains that the world's equity markets sank deeper into quagmire last week.
- The havoc has been unmistakably caused by volatility in the oil market. The sharp drop in crude oil price has caused a disequilibrium in the financial market.
- Asian markets felt the brunt of the volatility, as most markets ended the week in the redzone. We note that the rebound on Friday was not broad-based. Japan, China, Taiwan, Korea and Philippines were still sliding.
- Global funds exited Asian equity for the sixth consecutive week. The tide out was strong. Money out from Korea and Taiwan intensified last week. In Korea, foreign money attrition was the third highest this year.
- In Emerging Asia, foreign selling was across the board in the TIPs markets (Thailand, Indonesia, Philippines) and Malaysia.
- The Malaysian equity market succumbed to foreign selldown last week. Foreign investors offloaded Malaysian equity in the open market amounted to -RM544.9m.
- After a disconcerting decline in the first four days last week, the market rebounded strongly on Friday. The FBM KLCI, FBM70 and FBM Smallcap rose 1.2%, 2.0%, and 3.9% respectively in a single day, the best one-day performance in 2014. Still, investors should consider a few factors before aggressively loading up.
- The market was ripe for a relief rebound, and we believe that was what happened on Friday.

17 October 2014 | Strategy - Weekly Fund Flow

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## RECOVERY AFTER THE STORM?

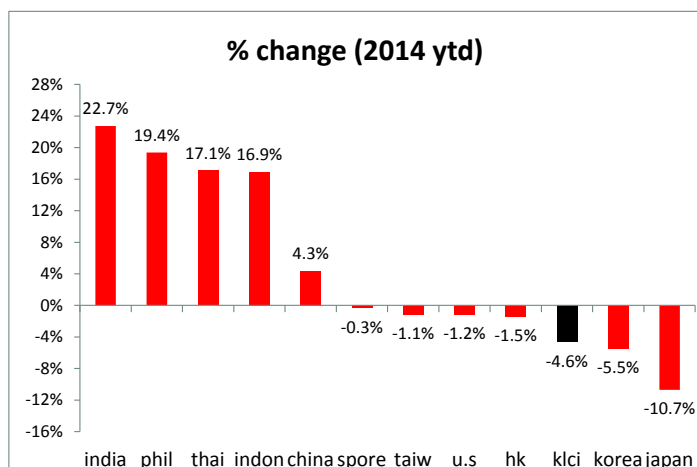
### A. MARKET SNAPSHOT

- Wall Street may have staged a spectacular rebound on Friday but the fact remains that the world's equity markets sank deeper into quagmire last week.
- It was a roller coaster ride in most markets especially on Wall Street, the bellweather market. The Dow Jones declined a massive 747 points from Monday's highs to Wednesday's lows, but regained 545 points therefrom to Friday's highs. On Wednesday, the Dow Jones slid by as much as 460 points (-2.8%) before regaining lost ground. On Friday, the Dow Jones and S&P500 surged 1.6% and 1.3% respectively, shaving the loss for the week to only -1.0% each.
- The havoc has been unmistakably caused by volatility in the oil market. The sharp drop in crude oil price has reduced risk appetite significantly. The price of crude oil has slid by more than 20% since the high in June, indicating that a bear market has set in. A glut in supply and weakening demand have triggered a vicious downcycle in price. The supply of shale oil has boosted U.S. output to its highest in almost 30 years. Meanwhile, OPEC producers are responding to the glut by cutting prices, rather than reducing supply. OPEC, it seems, is bent on defending its market share.
- Asian markets felt the brunt of the volatility, as most markets ended the week in the redzone. We note that the rebound on Friday was not broad-based. Japan, China, Taiwan, Korea and Philippines were still sliding.
- Only Jakarta managed to eke out a small gain of 0.7%, mainly on improving political outlook. President-elect Joko Widodo, who will be inaugurated on Monday, met Prabowo Subianto in their first public meeting since the July election. That raised optimism that Jokowi will be able to negotiate a compromise in order to push through reforms such as cutting fuel subsidies.
- Taiwan and Japan were the worst affected losing about -5% each. In Taiwan, investors dismissed strong corporate results and offloaded even the blue chips. The fear factor has set in.
- The KLCI lost -1.6% last week and is now down -4.6%ytd.

Performance of major markets		
Weekly % change	Week before	Last week
Jakarta JCI	0.28	0.71
DAX	-4.42	0.70
FTSE	-2.88	-0.47
Hang Seng	0.10	-0.53
Dow Jones	-2.74	-0.99
CAC	-4.86	-0.99
S&P500	-3.14	-1.02
India Sensex	-1.02	-1.34
China CSI300	0.64	-1.44
KLCI	-1.74	-1.58
Phil Comp	-1.10	-1.91
Thai SET	-1.12	-2.05
Korea KOSPI	-1.78	-2.07
Straits Times	-0.90	-2.09
Nikkei 225	-2.60	-4.92
Taiwan Taiaex	-1.54	-5.06

Source: Bloomberg

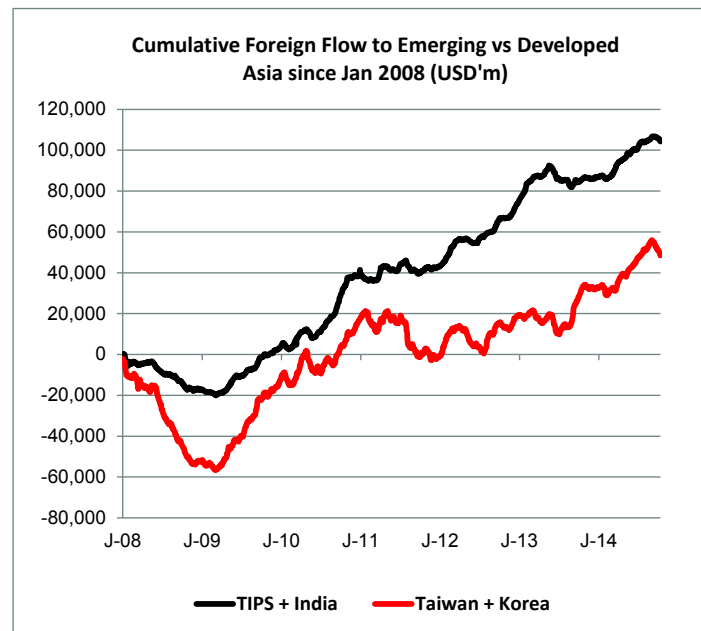
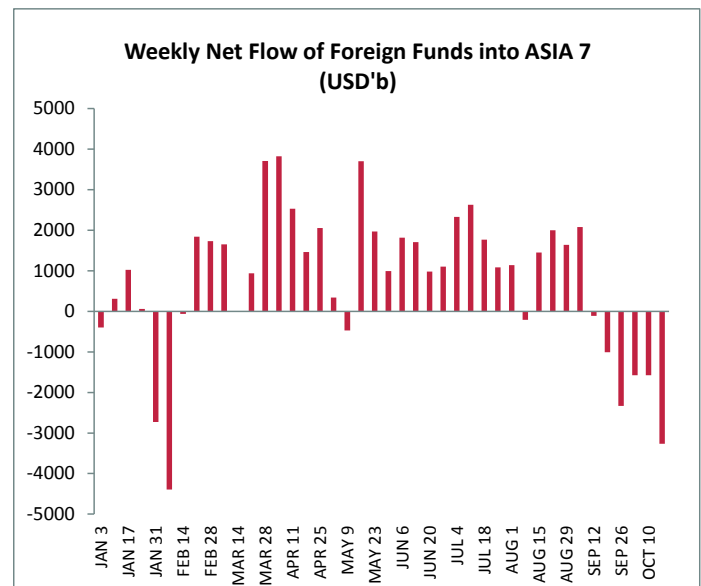
### Major Asian indices



Source: Bloomberg

**B. TRACKING MONEY FLOW - ASIA**

- Global funds exited Asian equity for the sixth consecutive week. The tide out was strong.
- Funds classified as “foreign” were, in aggregate, net sellers of stocks in the seven Asian<sup>1</sup> exchanges that we track (Korea, Taiwan, Thailand, Malaysia, Indonesia, Philippines and India). The amount sold amounted to -USD3.3b last week, compared with -USD1.6b each in the preceding two weeks (see bar chart).
- The outflow was higher from “Developed” Asia<sup>2</sup>, as represented by Taiwan and Korea, compared with that from “Emerging Asia”, as represented by the markets in Thailand, Indonesia, Philippines (TIPs), Malaysia and India.
- After slowing down the week before, money out from “Developed” Asia intensified last week.
- In Korea, foreign money attrition was the third highest this year. Investors are cautious over the deteriorating state of the economy, partly reflected by weak corporate earnings as evidenced by Samsung’s 60% decline in its 3Q14 operating profit. The government has downgraded its 2014 growth forecast to 3.5% from 3.8%, and lowered the 2015 numbers from 4.0% to 3.9%. It is also undertaking both fiscal and monetary stimulus. The Bank of Korea cut its benchmark interest rate for the second time in two months to the lowest level since 2010 to bolster demand. This follows the government’s announcement of a Won31 tr (USD29b) fiscal stimulus this year and a proposed record Won376 tr budget for next year.
- In Taiwan, investors’ apprehension is high, especially towards the technology sector with the heavyweight names such as the TSMC and Foxconn. Global investors who have flocked into Taiwanese tech



NET FLOW	TIPs + India	Taiwan + Korea	Total (USD'm)
2008	-17,195	-53,106	-70,301
2009	20,580	40,063	60,642
2010	35,690	29,234	64,924
2011	2,748	-17,801	-15,053
2012	31,302	19,976	51,278 (55,663*)
2013	12,446	13,500	25,946 (27,170*)
2014	17,564	15,434	32,998 (31,874^)

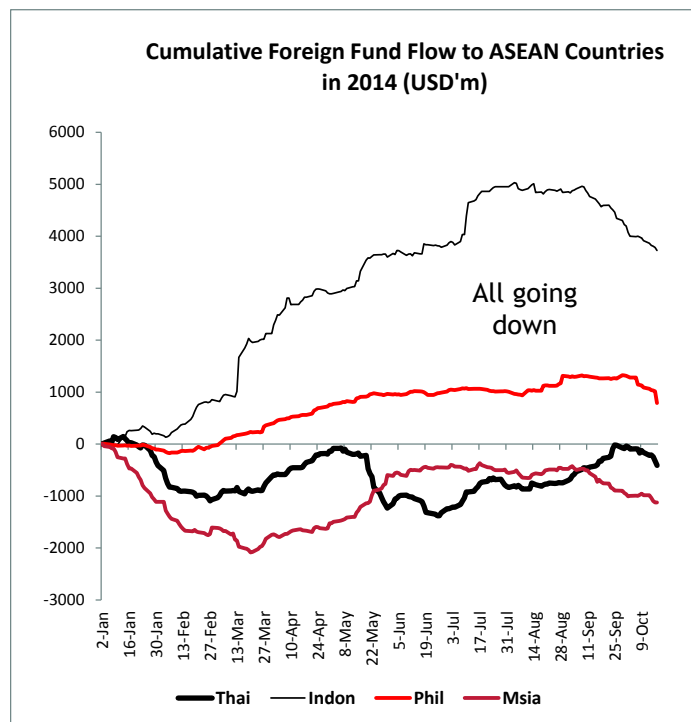
TIP = Thailand, Indonesia, Philippines ^ including Malaysia

<sup>1</sup> These ASIA 7 markets, for which fund flow data is publicly available, are our proxy for Asia.

<sup>2</sup> Technically, the Korea and Taiwan markets have not yet been classified as “developed” under the MSCI. We use the term liberally only for tracking purposes.

stocks especially since March are now reversing their positions.

- In Emerging Asia, foreign selling was across the board in the TIPs markets (Thailand, Indonesia, Philippines) and Malaysia.
- Foreign selldown rose to its highest in a week since June in Thailand. Thailand's government has announced a series of measures to help rubber farmers affected by a slump in global prices. This include funding to finance rubber purchases by the state-run Rubber Estate Organisation in order to stabilize prices. Such a move is unlikely to endear the financial market which is concerned over the impact of subsidy on government finance.
- In Indonesia, foreign investors sold for the sixth consecutive week. Among SEA markets, Indonesia would be the most vulnerable given the overhang of foreign liquidity which entered this year. Meanwhile, foreign money attrition in Philippines was the highest in a week this year.



Source: Various countries' exchanges, via Bloomberg. These figures are subject to revisions. Aggregated by MIDFR.

WEEKLY NET FLOW OF FOREIGN FUND INTO EQUITY (USD'm)

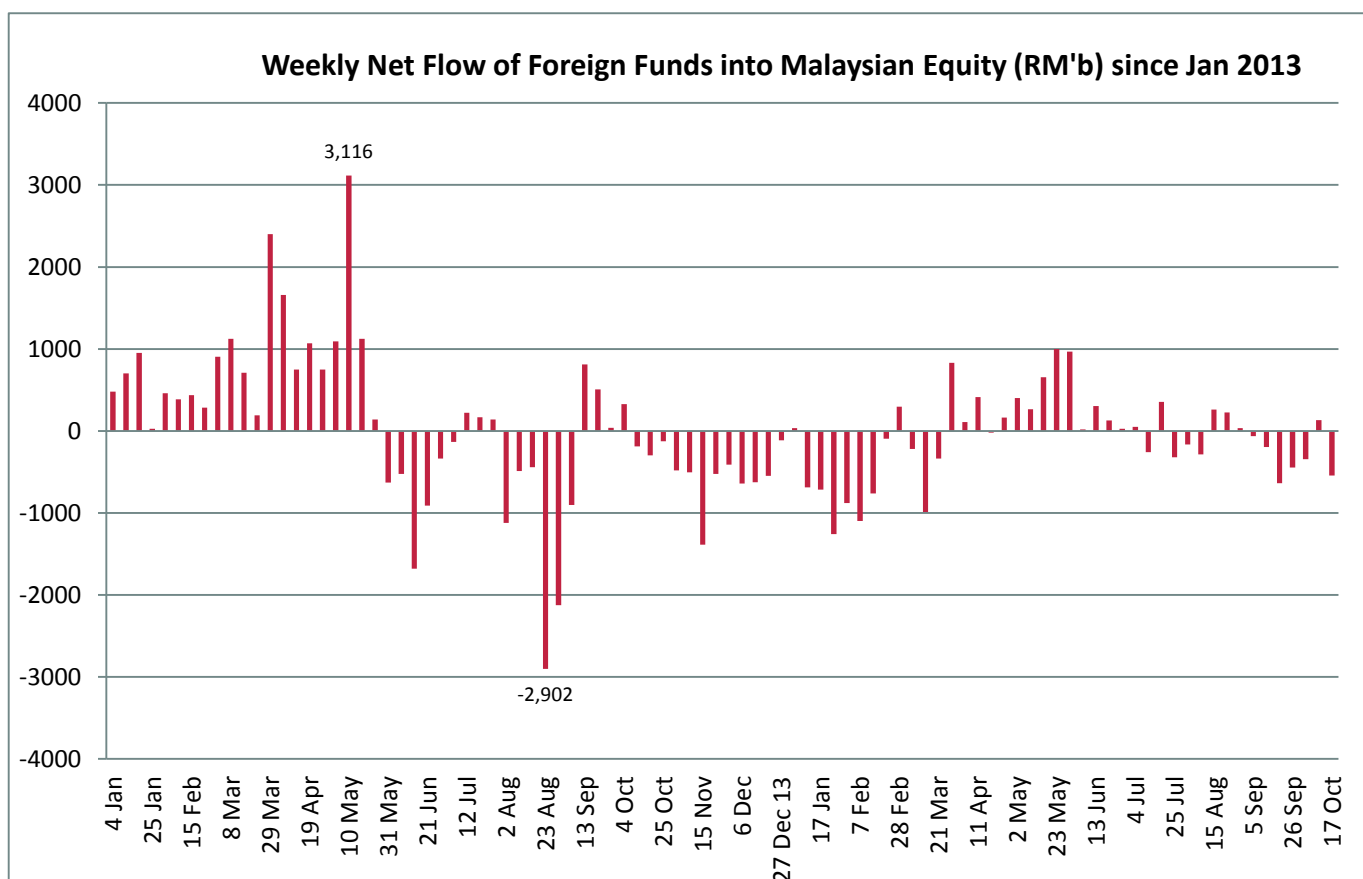
WEEK ENDED	KOREA	THAI	INDON	PHIL	INDIA	TAIWAN	MALAYSIA	TOTAL
APR 25	524.0	167.0	155.9	136.6	247.4	770.5	50.4	2051.9
MAY 2	-503.3	101.7	-82.7	76.9	322.4	299.1	123.2	337.4
MAY 9	-668.5	-72.8	95.5	52.0	390.2	-348.7	82.0	-470.4
MAY 16	1236.5	-77.9	330.2	82.7	1637.8	285.2	203.6	3697.9
MAY 23	1060.8	-599.5	313.3	68.7	277.4	537.0	311.1	1968.3
MAY 30	256.1	-398.5	-39.7	-10.7	398.3	489.2	300.7	995.5
JUN 6	293.7	246.0	99.0	-18.6	1008.0	181.6	6.0	1815.8
JUN 13	105.6	-62.5	-15.7	70.6	850.9	664.2	95.3	1708.3
JUN 20	69.1	-273.6	154.7	-70.4	-65.7	1125.7	39.9	979.7
JUN 27	359.2	3.4	-51.1	42.0	46.7	694.0	7.8	1102.0
JUL 4	821.8	106.0	45.2	51.3	740.1	547.8	15.5	2327.7
JUL 11	610.5	293.5	816.1	20.4	731.0	239.0	-81.0	2629.5
JUL 18	796.5	186.1	215.3	0.0	422.1	32.9	111.8	1764.6
JUL 25	547.3	52.7	91.5	-49.8	323.1	220.5	-101.1	1084.3
AUG 1	1423.2	-152.3	0.0	-4.1	-460.6	383.3	-51.5	1137.9
AUG 8	148.6	-29.2	-72.2	-67.8	367.6	-466.7	-88.9	-208.6
AUG 15	700.6	82.4	-38.1	86.8	441.8	96.3	82.2	1451.9
AUG 22	499.0	32.7	54.3	96.5	288.7	956.6	71.5	1999.4
AUG 29	405.5	4.1	-56.5	189.1	139.2	948.8	11.7	1641.9
SEP 5	440.6	213.1	70.6	-16.3	793.6	598.8	-19.2	2081.0
SEP 12	-204.8	88.6	-148.0	2.2	432.0	-222.7	-61.5	-114.2
SEP 19	-354.7	169.0	-171.5	-31.9	31.9	-456.9	-197.1	-1011.1
SEP 26	-661.0	253.5	-247.9	-6.1	-366.5	-1164.6	-137.8	-2330.5
OCT 3	-309.1	-75.9	-344.4	20.3	107.2	-866.0	-104.8	-1572.7
OCT 10	-716.4	-64.4	-88.9	-189.7	-304.0	-256.2	41.2	-1578.3
OCT 17	-1093.2	-248.8	-187.8	-299.9	-378.2	-888.2	-166.2	-3262.3

Source: Various countries' exchanges. These figures are subject to revisions.

## FUND FLOW REPORT

### C. TRACKING MONEY FLOW - MALAYSIA

- After seemingly bucking regional trend the week before, the Malaysian equity market succumbed to foreign sell-down last week.
- Investors classified as “foreign” offloaded Malaysian equity in the open market (i.e excluding off-market deals) on Bursa last week amounted to -RM544.9m. That was relatively moderate compared with an average of RM900m (ranging RM686m to RM1.26b) sold between the second week of January until the third week of February this year.
- Foreign investors were net sellers everyday last week. However, net outflow had not exceeded RM200m *per diem*. That supports the view that the bulk of foreign selling is in the past and the overhang of “hot” foreign liquidity in Malaysia has reduced significantly. On cumulative basis, foreign investors had sold -RM3.8b net of Malaysian stocks in 2014 as of last Friday. This already reversed the +RM3.0b net inflow in 2013.
- Foreign participation stayed “elevated” (>RM1b) for the second week running. Daily average gross purchase and sale rose slightly to RM1.05b.
- Retail investors, which had been mopping up shares in the month leading to last week, finally relented and turned bearish amid global equity sell-down. Retailers remained sellers on Friday although the market rebounded strongly. For the week, retailers offloaded -RM39.8m, on moderate average daily gross sales and purchases of RM961m.
- Local institutions supported the market strongly, mopping up +RM585m. Participation rate remained elevated at RM2.6b, the fourth highest in a week this year.

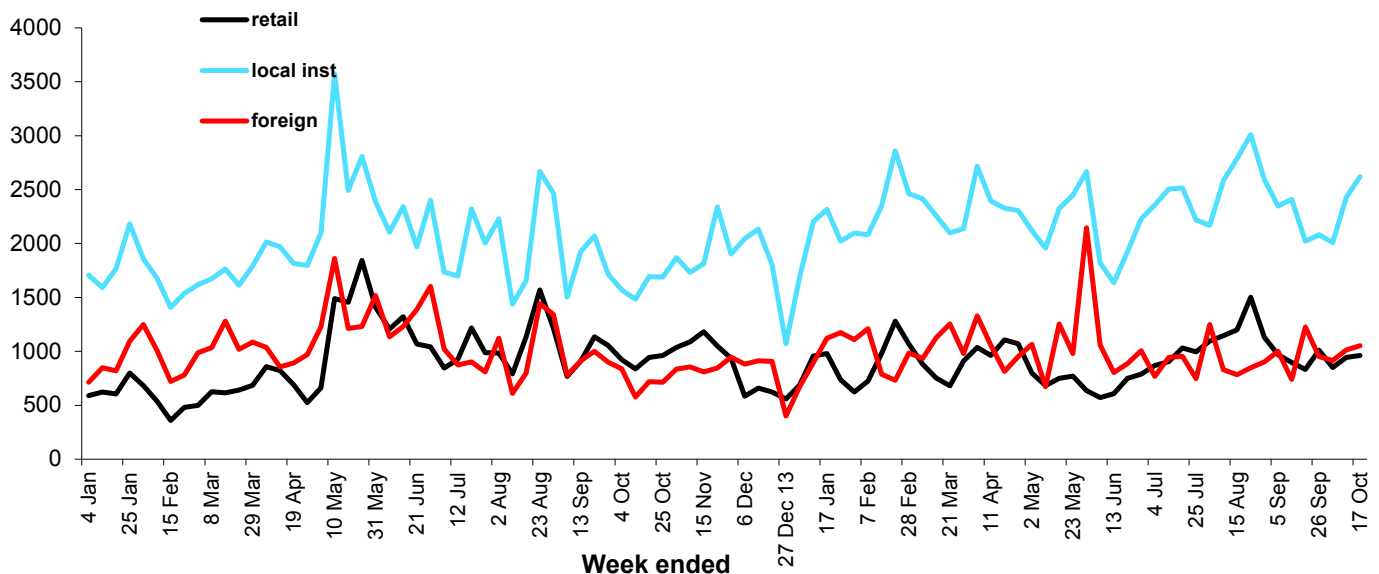


Source: Bursa, excluding off-market trades

**BURSA MALAYSIA: WEEKLY MARKET PARTICIPATION (RM'm)**

Week ended	LOCAL RETAIL			LOCAL INSTITUTION			FOREIGN			
	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	BOUGHT	SOLD	NET (RM)	NET (USD)*
MAY 23	1899.5	1950.7	-51.2	5649.1	6597.1	-948.0	2950.0	1950.8	999.2	311.1
MAY 30	1521.4	1657.4	-136.0	6252.8	7083.8	-831.0	5848.0	4881.0	967.0	300.7
JUN 6	1377.6	1473.0	-95.4	4586.9	4511.6	75.3	2655.8	2635.7	20.1	6.0
JUN 13	1478.1	1558.3	-80.2	3977.0	4202.6	-225.6	2165.1	1859.3	305.8	95.3
JUN 20	1830.5	1913.3	-82.8	4784.6	4830.5	-45.9	2283.5	2154.8	128.7	39.9
JUN 27	1937.0	2002.5	-65.5	5592.1	5551.6	40.5	2528.4	2503.4	25.0	7.8
JUL 4	2043.4	2292.8	-249.4	5993.8	5794.7	199.1	1942.4	1892.1	50.3	15.5
JUL 11	2193.5	2330.6	-137.1	6459.4	6064.6	394.8	2226.7	2484.4	-257.7	-81.1
JUL 18	2024.6	2101.0	-76.4	4893.9	5173.3	-279.4	2087.2	1731.4	355.8	111.8
JUL 25	2429.3	2550.8	-121.5	5767.0	5324.6	442.4	1705.0	2025.9	-320.9	-101.1
AUG 1	1624.9	1660.7	-35.8	3353.6	3152.8	200.8	1792.4	1957.4	-165.0	-51.5
AUG 8	2843.0	2880.5	-37.5	6617.1	6294.2	322.9	1931.3	2216.7	-285.4	-88.9
AUG 15	2985.5	3016.8	-31.3	6852.4	7082.7	-230.3	2090.5	1828.9	261.6	82.2
AUG 22	3689.5	3819.6	-130.1	7473.0	7569.4	-96.4	2234.7	2008.2	226.5	71.5
AUG 29	2768.6	2879.9	-111.3	6523.4	6448.5	74.9	2272.6	2236.2	36.4	11.7
SEP 5	1873.7	2005.4	-131.7	4790.0	4597.1	192.9	1970.0	2031.2	-61.2	-19.2
SEP 12	2223.6	2257.8	-34.2	6142.5	5911.0	231.5	1748.2	1945.5	-197.3	-61.5
SEP 19	1674.4	1655.2	19.2	4352.0	3735.4	616.6	2130.7	2766.5	-635.8	-197.1
SEP 26	2528.4	2528.2	0.2	5429.0	4981.8	447.2	2157.1	2604.5	-447.4	-137.8
OCT 3	2135.1	2117.2	17.9	5183.9	4859.5	324.4	2116.0	2458.3	-342.3	-104.8
OCT 10	1974.1	1795.8	178.3	4705.7	5018.0	-312.3	2095.3	1961.3	134.0	41.2
OCT 17	2382.5	2422.3	-39.8	6843.7	6259.0	584.7	2358.9	2903.8	-544.9	-166.2

\* Estimate by MIDF Research based on prevailing exchange rate.  
Source: Bursa's preliminary data

**Participation Rate : Daily Average for the Week (RM'm) since Jan 2013**


## FUND FLOW REPORT

### D. TOP 100 STOCKS: MONEY FLOW <sup>2</sup>

- Tables below list the Top 10 Net Money Inflows and Net Money Outflows for the week ended 28 June 2014 among the largest 100 market capitalized stocks on Bursa Malaysia.

#### TOP 10 NET MONEY INFLOWS

- Maybank attracted the highest net money inflow of RM14.45m last week. Its share price outperformed with a milder -1.03% decline against the benchmark's -1.14% drop. It is noteworthy that money net inflow amidst retreating share price indicates buy on weakness (BOW) stance among investors.
- AMMB came in second with RM14.04m net inflow. Its share price outperformed the FBM KLCI with a -1.04% weekly drop. It was speculated that AMMB may be a potential M&A target following news that its major shareholders are open to selling their stakes in the bank.
- Telekom Malaysia recorded the third highest net money inflow of RM12.52m. Its share price outperformed the broader market with a slim -0.15% weekly drop. In the recent Budget 2015, the government announced expansion of high-speed broadband (HSBB) coverage to include state capitals and selected major towns nationwide.

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAYBANK	14.45	-1.06	-1.03	BOW
AMMB	14.04	-1.34	-1.04	BOW
TELEKOM M'SIA	12.52	2.32	-0.15	BOW
TNB	11.54	25.69	-0.32	BOW
KL KEPONG	10.69	10.36	-1.27	BOW
PUBLIC BANK	9.65	2.49	0.98	-
SAPURAKENCANA	7.10	-4.26	-4.93	BOW
IHH HEALTH	6.89	4.06	0.63	-
DIALOG	5.58	0.33	-0.63	BOW
AXIATA	5.56	-3.76	-0.57	BOW

Source: Bloomberg, MIDFR;

Note: BOW - Buy on weakness, SOS - Sell on strength (Bloomberg defined)

#### TOP 10 NET MONEY OUTFLOWS

- Maxis registered the largest net money outflow during the review week totaling -RM9.75m. Nonetheless, its share price advanced 0.62% as against FBM KLCI which recorded a -1.14% retreat. It is noteworthy that over the past two weeks, its share price has outperformed the market benchmark by a whopping 4.10ppts. Hence the money outflow was arguably attributable to investors cashing out pursuant to the recent price outperformance and not driven by any negative fundamentals. The net outflow amidst rising share price may indicate Sell on strength (SOS) stance among some investors.
- Sime Darby saw the second largest net money outflow of -RM7.39m last week. However, the stock was an outperformer last week as it ended higher by almost 1% against a more than 1% drop in the FBM KLCI. While Moody's and Fitch have reaffirmed their stable ratings outlook of Sime Darby pursuant to the proposed acquisition of NBPOL, S&P decided to keep on its negative watch.
- Petronas Gas came in third with -RM3.91m net outflow. Its share price underperformed the broader market last week with a -1.91% drop

Name	Net Money Flow (RM mn)		Price (% Chg)	Remark
	Last Week	Prev Week	Last Week	
MAXIS	-9.75	-0.24	0.62	SOS
SIME DARBY	-7.39	-5.81	0.99	SOS
PETRONAS GAS	-3.91	-0.08	-1.91	-
MAHB	-3.31	0.94	-4.84	-
IOI CORP	-3.08	-1.22	-3.96	-
UMW HLDGS	-2.89	-2.53	-1.38	-
PETRONAS CHEM	-2.11	-1.18	-1.62	-
UEM SUNRISE	-1.48	-0.51	-0.59	-
IGB CORP	-1.47	-0.22	0.00	-
BAT	-1.34	-0.69	1.51	SOS

Source: Bloomberg, MIDFR;

Note: BOW - Buy on weakness, SOS - Sell on strength (Bloomberg defined)

<sup>2</sup> Money flow indicates whether a particular stock is being more heavily purchased or sold. Money flow generally confirms price trend. As price rises, money flow is usually positive, vice versa. A divergence may portend a reversal in price trend. A rising stock price with a negative money flow can indicate a future price correction, vice versa.

How is money flow calculated? When a trade is performed, its price is compared to the price of the previous trade (the first trade of the day is compared to the previous day's close). If the prices differ, either upticks or downticks, the value of the trade (price multiplied by number of shares) is added to or subtracted from the money flow respectively.

Source: Bloomberg, MIDFR

E. THE WEEK AHEAD

DEAD CAT BOUNCE?

- After a disconcerting decline in the first four days last week, the market rebounded with the proverbial vengeance on Friday. The FBM KLCI, FBM70 and FBM Smallcap rose 1.2%, 2.0%, and 3.9% respectively in a single day, the best one-day performance in 2014. Still, investors should consider a few factors before aggressively loading up.
- First of all, the rebound in Asia on Friday was not broad-based. The KLCI and Jakarta’s JCI were the exceptional outperformers. In other markets such as Taiwan, Korea and China, the fear factor has set in and investors are rushing for the exit door. This is unlikely to change overnight, even with the euphoric rebound on Wall Street on Friday.
- In addition, the technicals are still in a weak territory. The market may have been oversold, but the buy signals have yet to emerge. In fact, the KLCI staged a “death crossover” last Thursday as expected (this is a situation when the short-term 50-day moving average line crossed the 200-day line from above). It was the first such occurrence since September 2011, and is something that long-term investors should be cognizant of.
- For this danger zone to be neutralized *this week*, the KLCI needs to rebound to around 1,850 points, or a clawback of about 3.5% from the close on Friday. Similarly, the FBM70 needs to claw back 4.5% while the FBM Smallcap needs to regain a massive 6%. This is too tall an order for the local market to stage in our humble opinion.
- A total of USD20.7b or about RM68b of market capitalization was wiped off Bursa in the first four days of the week, based on Bloomberg’s estimate. Although prices rebounded on Friday, there will bound to be residual forced selling and margin calls at least on Monday.
- Participation rate will unlikely be sustained on Monday and Tuesday. It is a four-day trading week due to Deepavali on Wednesday. Friday is also a state public holiday in Pahang and as Saturday is a national holiday (Awal Muharram), some employers are giving day off on Friday. Participation rate in the market is going to be affected.
- Globally, sentiment is expected to stay brittle. The spectacular rebound on Wall Street on Friday only reflects the extreme volatility of the market. The Dow Jones may have rebounded +1.63% on Friday, but recall that it also surged +1.64% on 8 October, only to fall -2.0% the very next day. Investors would be wary that the U.S Federal Reserve’s Federal Open Market Committee meets on 29 October. Globally, markets will be apprehensive over a possible hawkish undertone of the meeting.

First “death cross” since September 2011.



FBM Smallcap needs to regain 6% this week to neutralize the dangers



- Indeed, there will be a slew of potentially market-moving statistics next week. On 30 Oct, the U.S will release its first estimate of its 3Q14 GDP growth.
- The market was ripe for a relief rebound, and we believe that was what happened on Friday. The cat may have bounced, but we doubt that it is alive.
- Our strategist revised his year-end target for the KLCI to 1800-1850 for 2014. For next year, the objective remains at 1970.





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